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STATE FOR EB/CIP/BA
USTR FOR CATHERINE HINCKLEY

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TAGS: [ECPS](#) [ECON](#) [ETRD](#) [USTRIT](#) [IT](#)
SUBJECT: ITALY: SECTION 1377 TELECOM TRADE AGREEMENTS
REVIEW RESPONSES

REF: 06 SECSTATE 202978

11. Econoffs spoke with representatives of Italy's Communications Regulatory Authority (AGCOM) and Telecom Italia about reftel's Italy-specific concerns and questions January 12 and 17.

12. Answers to reftel questions follow:

Q: DOES THE REGULATOR CONDUCT A PERIODIC REVIEW WHERE THE INCUMBENT MUST MODIFY ITS REFERENCE INTERCONNECTION OFFER TO ENSURE THAT RATES TAKE INTO ACCOUNT RECENT AUDITED REGULATORY ACCOUNTS? IF SO, HOW DOES THE REGULATOR ACCOMPLISH THAT REVIEW?

ANSWER: The rates for telecom interconnection services in Italy are set annually by applying a network cap rule. Every year, Italian telecom operators submit regulatory accounting to the Communications Regulation Authority, AGCOM. An independent advisor conducts an additional audit of rates every three years, along with a separate review of the network cap.

In addition to government regulators, telecom operators and customer associations can review, and comment on, the audit's findings. Italy's antitrust authority and the European Commission also review and provide input.

Q: DOES THE REGULATOR KNOW WHETHER WHOLESALE (CARRIER) RATES CHARGED FOR LEASED LINES USED BY CARRIERS (E.G., TWO MEGABIT LINK BETWEEN A CARRIER'S NETWORK AND ITS CUSTOMERS) ARE REGULATED?

ANSWER: Yes, wholesale (carrier) rates charged for leased lines used by carriers are regulated.

Q: IF SO, HOW ARE THE RATES SET? DOES THE REGULATOR BENCHMARK THEM AGAINST OTHER COMPARABLE MARKETS?

ANSWER: Termination rates are "cost-oriented." Telecom Italia sets prices in accordance with EU and national regulations to guarantee the sustainability of correspondent retail prices.

Q: HAS THE REGULATOR HEARD ALLEGATIONS THAT THE INCUMBENT (TELECOM ITALIA) IS PROVIDING HIGHER QUALITY SERVICE GUARANTEES AND/OR LOWER PRICES TO ITS END-USER CUSTOMERS THAN TO REQUESTING COMPETITORS? ARE THERE ANY REPORTING REQUIREMENTS TO MONITOR THIS?

ANSWER: Telecom Italia (the incumbent) is required to report to AGCOM every six months, the activation and technical

support times provided to its customers and competitors. In this way, AGCOM regularly compares and checks for Telecom Italia compliance. AGCOM also sets key performance indicators that Telecom Italia must meet -- for example, the time Telecom Italia provides service to its competitors must equal the time it spends on its own services.

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